
By: **Senators Garagiola, Brinkley, Britt, Dyson, Forehand, Hafer, Hogan,
Kramer, Lawlah, Stone, and Teitelbaum**

Introduced and read first time: February 6, 2004

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Tax Credit for Cost of Employee Teleworking Expenses**

3 FOR the purpose of authorizing a credit against the State income tax for costs
4 incurred by an employer for certain teleworking expenses of certain employees;
5 providing that the credit of each employer may not exceed a certain amount and
6 that any unused credit for a taxable year may not be carried over to any other
7 taxable year; authorizing an employer to submit an application for the tax credit
8 to the Secretary of Transportation; requiring the Secretary to certify to each
9 employer the amount of credit that the Secretary approves by a certain date;
10 providing that the total amount of the credit allowed for all employers may not
11 exceed a certain amount; requiring the Secretary to submit a certain report;
12 specifying the contents of the report; defining certain terms; providing for the
13 application of this Act; and generally relating to a tax credit against the State
14 income tax for certain employer costs incurred for certain employee teleworking
15 expenses.

16 BY adding to
17 Article - Tax - General
18 Section 10-725
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 2003 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
22 MARYLAND, That the Laws of Maryland read as follows:

23 **Article - Tax - General**

24 10-725.

25 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
26 INDICATED.

1 (2) (I) "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" MEANS
2 EXPENSES PAID BY AN EMPLOYER FOR EQUIPMENT OR SERVICES THAT ARE USED BY
3 AN EMPLOYEE TO TELEWORK.

4 (II) "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" INCLUDES
5 THE COSTS FOR:

6 1. INSTALLING AND MAINTAINING COMPUTERS,
7 TELEPHONE LINES, AND TELECOMMUNICATIONS EQUIPMENT AT THE PRIVATE
8 RESIDENCE OF AN EMPLOYEE WHO HAS BEEN AUTHORIZED TO TELEWORK BY THE
9 EMPLOYER OR AT AN ALTERNATE WORK SITE THAT HAS BEEN APPROVED BY THE
10 EMPLOYER; AND

11 2. PAYING FOR TELECOMMUNICATIONS SERVICES, SUCH AS
12 A MONTHLY FEE FOR CONNECTION TO THE INTERNET, THAT ARE NECESSARY FOR
13 AN EMPLOYEE WHO HAS BEEN AUTHORIZED TO TELEWORK BY AN EMPLOYER.

14 (III) "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" DOES NOT
15 INCLUDE COSTS INCURRED FOR USE OF EQUIPMENT OR SERVICES FOR PURPOSES
16 OTHER THAN TELEWORKING.

17 (3) "EMPLOYER" MEANS A PERSON CONDUCTING OR OPERATING A
18 TRADE OR BUSINESS IN THE STATE.

19 (4) "SECRETARY" MEANS THE SECRETARY OF TRANSPORTATION.

20 (5) "TELEWORKING" MEANS USING TELECOMMUNICATIONS
21 TECHNOLOGY TO WORK AT A LOCATION OTHER THAN A TRADITIONAL OFFICE
22 SETTING.

23 (B) (1) SUBJECT TO SUBSECTION (C) OF THIS SECTION, AN EMPLOYER MAY
24 CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO 25% OF
25 THE COSTS INCURRED BY THE EMPLOYER DURING THE TAXABLE YEAR FOR
26 ELIGIBLE EMPLOYEE TELEWORKING EXPENSES.

27 (2) THE MAXIMUM AMOUNT THAT AN EMPLOYER MAY CLAIM UNDER
28 PARAGRAPH (1) OF THIS SUBSECTION IS \$5,000.

29 (3) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE
30 TAX LIABILITY OF THE EMPLOYER AND MAY NOT BE CARRIED OVER TO ANY OTHER
31 TAXABLE YEAR.

32 (C) (1) ON OR BEFORE OCTOBER 1 OF EACH YEAR, AN EMPLOYER MAY
33 SUBMIT AN APPLICATION TO THE SECRETARY FOR APPROVAL OF THE CREDIT FOR A
34 TAXABLE YEAR THAT BEGINS IN THE NEXT CALENDAR YEAR.

35 (2) THE TOTAL AMOUNT OF CREDITS APPROVED BY THE SECRETARY
36 FOR EACH CALENDAR YEAR UNDER THIS SECTION MAY NOT EXCEED:

37 (I) \$100,000 IN 2005;

1 (II) \$175,000 IN 2006; AND

2 (III) \$250,000 IN 2007.

3 (3) IF THE TOTAL AMOUNT OF CREDITS APPLIED FOR BY ALL
4 EMPLOYERS EXCEEDS THE MAXIMUM SPECIFIED IN PARAGRAPH (2) OF THIS
5 SUBSECTION, THE SECRETARY SHALL APPROVE CREDIT UNDER THIS SECTION IN
6 THE ORDER IN WHICH CREDIT APPLICATIONS WERE RECEIVED.

7 (4) ON OR BEFORE NOVEMBER 15 OF EACH YEAR, THE SECRETARY
8 SHALL CERTIFY TO EACH EMPLOYER THE MAXIMUM AMOUNT OF THE CREDIT
9 APPROVED FOR THE EMPLOYER UNDER THIS SECTION FOR THE TAXABLE YEAR THAT
10 BEGINS IN THE NEXT CALENDAR YEAR.

11 (5) TO CLAIM THE CREDIT UNDER THIS SECTION, AN EMPLOYER SHALL
12 ATTACH A COPY OF THE SECRETARY'S CERTIFICATION OF THE MAXIMUM APPROVED
13 CREDIT AMOUNT TO THE EMPLOYER'S INCOME TAX RETURN.

14 (D) ON OR BEFORE DECEMBER 15 OF EACH YEAR, THE SECRETARY SHALL
15 SUBMIT TO THE COMPTROLLER AND, SUBJECT TO § 2-1246 OF THE STATE
16 GOVERNMENT ARTICLE, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
17 HOUSE OF DELEGATES A REPORT ON THE TAX CREDIT APPROVED UNDER THIS
18 SECTION FOR THE TAXABLE YEAR THAT BEGINS IN THE NEXT CALENDAR YEAR,
19 INCLUDING:

20 (1) THE TOTAL NUMBER OF EMPLOYERS THAT APPLIED FOR THE TAX
21 CREDIT UNDER THIS SECTION AND THE TOTAL NUMBER OF EMPLOYERS APPROVED;

22 (2) THE TOTAL AMOUNT OF CREDIT SOUGHT BY ALL EMPLOYERS AND
23 THE TOTAL AMOUNT OF CREDIT APPROVED BY THE SECRETARY FOR ALL
24 EMPLOYERS; AND

25 (3) FOR EACH EMPLOYER APPROVED:

26 (I) THE NAME AND PHYSICAL LOCATION OF THE EMPLOYER IN
27 THE STATE;

28 (II) THE NUMBER OF EMPLOYEES THAT WOULD BE TELEWORKING
29 UNDER THE EMPLOYER AND FOR WHOM THE EMPLOYER IS SEEKING THE CREDIT;

30 (III) THE ELIGIBLE EMPLOYEE TELEWORKING EXPENSES FOR EACH
31 EMPLOYEE; AND

32 (IV) THE AMOUNT OF CREDIT SOUGHT BY THE EMPLOYER AND THE
33 AMOUNT OF CREDIT APPROVED BY THE SECRETARY.

34 (E) THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO CARRY OUT
35 THE PROVISIONS OF THIS SECTION.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
2 effect July 1, 2004, and shall apply to all taxable years beginning after December 31,
3 2004.